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SUBJECT: LEBANON RECEIVES \$298 MILLION IN IMF SPECIAL DRAWING RIGHTS
(ECONOMIC WEEK IN REVIEW, SEPTEMBER 14 - 20, 2009)

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IMF PROGRAM BOOSTS LIQUIDITY

¶1. (SBU) Lebanon received the equivalent of \$298 million in foreign currency reserves through the allocation of Special Drawing Rights (SDR) as part of a new International Monetary Fund (IMF) program aimed at boosting country reserves to combat the world economic crisis. As a result, Lebanon's new cumulative allocation reached \$304.8 million as of September 9, enabling it to access additional liquidity at no conditionality. Although Lebanon currently faces no liquidity pressure, it could tap into the reserve if need arose in the future.

ILLEGAL OPERATORS DAMAGE TELECOM

¶2. (SBU) Chairman of ISP Data Management and business incubator Berytech Maroun Chammas assessed that the Lebanese government's failure to enforce regulations, particularly in the telecom sector, was preventing economic growth. On September 17 Chammas noted to us an increase in illegal internet provider activity, which now provide around 50% (or 400 megabytes) of total internet capacity. Illegal operators cause a loss in state revenues, as they purchase capacity from sources other than public provider Ogero, and their existence also discourages foreign and local investment in the sector, he said.

¶3. (SBU) Chammas criticized the Telecommunications Regulatory Authority (TRA), saying that it must regulate the entire market (not just the legal operators, as it does now) in collaboration with the telecom ministry to shut down all illegal operators in the sector. Lebanon could have achieved double-digit growth if there had been political stability and fair regulation, he said.

JUDICIAL TRAINING INCORPORATING IPR

¶4. (SBU) Head of the Judicial Training Institute (JTI) Judge Souheil

Abboud said work is ongoing with the National Center for State Courts' (NCSC) USAID-funded project to overhaul the JTI, including efforts to incorporate more IPR into its curriculum. Abboud agreed that Lebanese judges' lack of awareness and enforcement of IPR issues remains one of the most important obstacles to improving the intellectual property environment in the country. Given the JTI's limited resources, Abboud welcomed any possible future technical assistance from USPTO experts to increase awareness and further develop their knowledge of IPR.

2008 FDI UP BY 32%

¶15. (U) Foreign direct investment (FDI) in Lebanon rose by 32% in 2008 to around \$3.6 billion, according to the UN Conference on Trade and Development (UNCTAD) 2009 World Investment Report. Arab countries accounted for 90% of total FDI, mostly in the real estate sector, with 63% of total FDI from Saudi Arabia alone. UNCTAD's FDI estimate is slightly higher than the Inter-Arab Investment Guarantee Corporation (IAIGC) estimate of \$3.2 billion.

DROP IN EASE OF DOING BUSINESS

¶16. (U) Lebanon's ranking fell in terms of ease of doing business in the International Finance Corporation's Doing Business in 2010 report. Ranked 108th out of 183 countries worldwide in 2010, Lebanon fell from 101st in the 2009 survey. Among MENA countries, Lebanon ranked 12th out of 19. The survey nonetheless noted improvements in simplifying mechanisms for paying business taxes and business start-up procedures. The report ranks economies based on ten indicators: ease of starting a business, dealing with licenses, employing workers, registering property, access to credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

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